

U S WEST, Inc.  
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EX PARTE OR LATE FILED

**USWEST**

**BB Nugent**  
Executive Director  
Federal Regulatory

EX PARTE

**RECEIVED**

MAY 4 1999

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

May 4, 1999

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 - 12<sup>th</sup> Street, SW, TW A-325  
Washington, DC 20554

RE: CC Docket No. 99-35, Local Number Portability  
Tariff Filings of U S WEST Communications

Dear Ms. Salas:

On April 30, 1999, Bill Johnston, Jim Hannon, Elridge Stafford and the undersigned, representing U S WEST, met with Kris Monteith, Jay Atkinson, Chris Barnekov, Carol Canteen, Lloyd Collier, Doug Galbi, Rhonda Lien, Raj Kannan and Janet Sievert of the Competitive Pricing Division as well as Bob Bentley, Hugh Boyle and Henry Morrow of the Accounting & Safeguards Division to discuss the above-referenced issue. The attached material was distributed at the meeting and served as the basis of the discussion.

In accordance with Section 1.1206(a)(2) of the Commission's rules, an original and one copy of this letter and the attachment are being filed with your office for inclusion in the public record.

Acknowledgment and date of receipt of this submission are requested.

Sincerely,

*BB Nugent*

Enclosure

Copy w/ Enclosure:

Ms. Kris Monteith  
Mr. Jay Atkinson  
Mr. Chris Barnekov  
Ms. Carol Canteen  
Mr. Lloyd Collier  
Mr. Doug Galbi

Ms. Rhonda Lien  
Mr. Raj Kannan  
Ms. Janet Sievert  
Mr. Bob Bentley  
Mr. Hugh Boyle  
Mr. Henry Morrow

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## Summary of LNP Costs

Total Costs to Deploy LNP	\$ 788,361
Total Costs Included in Tariff as filed	<u>473,559</u>
Total LNP Implementation Costs Excluded from Tariff Filing	<u>\$ 314,802</u>
% of LNP Implementation Costs Excluded from Tariff Filing	40%

### Excluded Costs:

	\$	%
Network	224,772	45.6
OSS	39,732	26.5
Service Delivery	5,815	7.1
Cost of Money	<u>44,482</u>	77.6
	<u>\$ 314,802</u>	40%

## Network Costs

### Excluded LNP Costs:

Switch Replacements		\$ 75,481
Generic Upgrades --		
1AE13	\$7,678	
4E22.2	851	
5E10	8,399	
5ESS	27,196	
DMS10/100	<u>37,936</u>	
Total Generics		82,060
MDS to MDSI conversion		38,395
Number group growth expansion		10,284
Other (Features & Labor Costs)		<u>18,552</u>
Excluded LNP Network Costs		<u>\$ 224,772</u>

## Network Costs

### Included in Tariff Filing:

#### SSP Software -

1AESS	\$ 7,505
4ESS	2,654
5ESS	23,755
AXE & DMS	<u>82,580</u>

#### Total

\$ 106,494

#### Links

14,246

#### SCP's

39,124

#### STP's

17,333

#### Associated OH's

31,582

#### Trunking, Circuits & Lines

49,411

#### Other

10,006

#### Total Network Costs Included in Filing

\$ 268,196

#### Recovered in Query charge

\$ 8,914

#### Recovered in Surcharge

\$ 259,352

# OSS Costs

## LNP Costs Excluded:

### Network Routing -

SS7 Monitoring

\$ 1,132

Other

156

Total

\$ 1,288

### Provisioning -

Repair

240

Loop Management Operation System (LMOS)

13,370

Mechanized Loop Test

2,611

Other

878

Total

\$ 16,859

Billing

5,057

System Maintenance

12,570

Other

3,718

Total LNP Related OSS Costs Excluded from Filing

\$ 39,732

## OSS Costs

### Included in Filing:

Network Routing		\$ 25,916
Provisioning -		
Bellcore/ Telcordia	\$ 15,411	
U S WEST Cost	<u>13,764</u>	
Total Provisioning		29,175
Repair		-
Billings		1,221
Maintenance on included systems		36,496
Other		<u>17,308</u>
Total LNP Related OSS Costs Included in Filing		<u>\$ 110,116</u>

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## Service Delivery

<b>Excluded Costs</b>	<u>\$5,815</u>
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### Included Costs:

Interconnect Service Center	\$ 57,509
Service Negotiation	1,128
Training, Methods and Procedures	1,666
Order Processing Center	8,705
CLEC Contracts	1,474
Operator Information's Services	1,053
Markets Program Office	<u>3,490</u>
Total Service Delivery Costs Included in Filing	<u>\$ 75,025</u>
 Total Service Delivery Costs	 <u>\$80,840</u>

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## Price Cap Example

Year 1	Revenue		\$100,000
	Expenses		<u>90,000</u>
	Profit		\$ <u>10,000</u>
Year 2	Index Adjustment		
	Inflation	2.0	
	Productivity Offset	<u>(6.5)</u>	
		<u>(4.5)</u>	
Year 2	Price reduction		\$ 4,500
	(\$100,000 x .045)		
	Required Profit increase assuming 5% growth		<u>500</u>
	Expense reduction or revenue growth		\$ <u>5,000</u>



## Price Cap Example

Product Revenues	<u>Year 1</u>	Year 2 <u>Reduction</u>	<sup>1</sup> Year 2 <u>Revenues</u>
Product 1	20,000	(900)	19,100
Product 2	20,000	(900)	19,100
Product 3	20,000	(900)	19,100
Product 4	20,000	(900)	19,100
Product 5	<u>20,000</u>	<u>(900)</u>	<u>19,100</u>
	<u>100,000</u>	<u>(4,500)</u>	<u>95,500</u>

<sup>1</sup>Assumes no growth

Options to achieve year 2 profit expectations -

1. Grow volumes for existing products
2. Cut expenses
3. Introduce new products

### Option 1

Can't rely solely on existing products - Product cycle

### Option 2

Majority of costs are fixed...Can't get solely from variable costs

### Option 3

Many new products leverage off of existing infrastructure



## Signaling Network

- Deployed in late 1980's.
- U S WEST deployed Erricson STP.
- Others deployed different vendors STP's.
- Erricson STP's have been most reliable in the nation.
  - No outages have ever occurred
- Erricson STP's had a port limit of 146 SS7 links
  - Purchased replacement processors to upgrade to 350 port capacity
  - Tekelec STP has a capacity of 500SS7 link

# Impact of Different Switch Technologies

Relative cost of Switch Upgrades for LNP

IAESS	100%
DMS 100	100%
SESS	159%

## Cost of Money

### Excluded Cost:

Switch Advancement	\$ 20,376
Lost Depreciation on Early Retirements	19,030
Pre-1999 Cost	<u>5,076</u>
Total Cost of Money Excluded From Filing	<u>\$ 44,482</u>

### Included Cost:

Pre-1999 Cost	<u>12,862</u>
Total LNP Related Cost of Money	<u>\$ 57,344</u>

## STP Upgrades vs. 5<sup>th</sup> SCP Pair

- Placing the Message Relay Point (MRP) in a single SCP pair was the most efficient and cost-effective approach.
  - Adding capacity to the STP's would have been approximately 10 times as expensive.
- No new services were enabled.
- Existing services are disabled for ported numbers if the MRP is not added.
- Illinois Commerce Commission standards require this capability for LNP

## Service Delivery

- All costs included represent incremental costs incurred or projected based on current staffing levels.
- All LNP capable LEC's have significant incremental order processing costs uniquely related to ported #'s.
- It is impossible to port a number without incurring this cost.
- Cost relates only to ported numbers - no new service.
- Not doing this puts CLEC's at a competitive disadvantage.
- Charging only on ported numbers puts CLEC's at a competitive disadvantage.
- Forcing LEC's to recover costs on services not ported puts LEC's at a competitive disadvantage.

## OSS Costs

- Network routing and provisioning are necessary for call processing.
- If the switch is not provisioned properly or if the SCP is not updated for routing information a ported number will fail.
- Although billing and repair are important functions call processing will work properly without these modifications.

# **OSS Costs**

## **Recoverable Provisioning and Network Routing System**

Customer care systems are essential in:

- The determination of eligibility of a number for porting
- Providing routing information to facilities and network elements

Service Order Processors are required to:

- Identify the order as portable
- Apply network routing information to the order
- Apply LNP FIDs and USOCs to the order for proper provisioning and telephone number administration



## **OSS Costs**

### **Recoverable Provisioning and Network Routing Systems**

Network Element Provisioning must:

- Map network routing information to facilities

- Provision the LNP number to the Network Element

- Provide LNP Telephone Number Administration

Network Routing systems manage:

- The creation and transmission of network routing data to the NPAC

- Service Provider synchronization of number port

# OSS Costs

## Recoverable Billing Systems

Billing Systems provide

Capability to bill Queries to the Service Control Point Database

Surcharge billing for LNP cost recovery

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## OSS Costs

### Non- Recoverable Provisioning Systems

#### Network Provisioning Systems:

The ALOC/CNUM system provides telephone number administration and address information for all types of numbers at US WEST. Only the portion specific to LNP, telephone number administration of ported numbers, is considered cost recoverable.

APRIL activates services to the network elements. Updating the system to activate location changes benefits all of US WEST services and was not considered for cost recovery.



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